BARCLAYS

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KBW CONFERENCE SPEECH
Antony Jenkins

1. Good morning everyone.

2. I'm Antony Jenkins, Chief Executive of Global Retail Banking at Barclays, or as we call it, GRB. I'm joined by my colleague, James Johnson, our Investor Relations Director.

3. I would like to thank KBW for giving me this opportunity to tell you about our business and plans.

4. Here's what I'd like to talk about today.

   I'll begin by talking briefly about the first half performance of the Barclays Group so that you have the context for the results of my division, GRB.

   I'll then outline the vision and strategy for GRB going forward, and the key financial targets.

   I'll speak for about 20 minutes which should give us plenty of time for some questions afterwards.

5. So let's get started with Barclays overall Group performance:

Last month we reported strong profit growth year on year for the first half of 2010.

It was mainly the result of a substantial improvement in impairments, combined with a resilient income growth.

And it was done despite relatively subdued market conditions.

We also generated higher returns, both on an increased equity base and on risk weighted assets.

We've managed capital tightly, leverage was stable, and we further strengthened our liquidity position at the same time as continuing to support customers. The proof of that is the £18 billion of gross new lending in the UK.

6. In terms of specific numbers:

Profit before tax was £3.9 billion, up 44% on the first half of 2009.

After you adjust for the three important accounting items you see on the screen, profit before tax was just under £3 billion, an increase of 22%.

7. Income was 8% higher at £16.6 billion.

The underlying performance was that income increased 5% year on year, and 7% relative to the second half of 2009.

Impairment charges of £3.1 billion represented a pleasing improvement of 32% year on year, and 12% relative to the second half.

Just to remind you, we are maintaining our guidance for the full year of a 15 to 20% reduction in impairment relative to 2009.

The improved impairment resulted in strong growth in net income of 25% to £13.5 billion.

Costs grew to £9.7 billion in the first half of 2010 reflecting the continued build out of our business, giving a cost income ratio of 59%.

8. Return on equity was 9.8%, on tangible equity it was12%.

The return on risk weighted assets was 1.5%, up from 1% in the same period in 2009.

My final point on the Barclays Group H1 results is this: while the economic and regulatory outlook remains uncertain, we continue to focus on both our strong customer relationships and on risk management.

This has enabled us to generate higher returns, despite increased shareholder funds, while maintaining strong levels of capital and liquidity.

Together they position us very well in the current environment.

9. So there's the context for you whilst I move now to GRB.

10. First, a point about banking groups: GRB forms an important part of the universal banking group that is Barclays.

11. Both the group and the individual businesses strongly believe in the client benefits, risk diversification and operational synergies that we are able to derive from our universal banking business model.

12. Ultimately we believe this model does two things: it drives higher returns for shareholders, and lowers risk for taxpayers.

    So you need not doubt that we will argue this case forcefully in our submission to the UK's Independent Banking Commission as it examines the shape of banking in the UK over the next 12 months.

13. As the face of Barclays on the high street here in the UK and in the many countries of the world, GRB makes an important contribution to the Barclays Group.

14. In 2009, GRB delivered £1.8bn or 34% of Group profits before tax.

15. In terms of the Group balance sheet, GRB has about 40% of customer loans and advances, and about 40% of customer deposits.

And despite the levels of impairment experienced through the economic down-turn, GRB has generated more capital for Barclays than it has consumed.

16. We created GRB last November when Barclays announced a reorganisation.

This reorganisation has created a much better alignment between our customers and clients and the things that we offer them.

I first want to explain what we do, and then we'll look at some ambitious but achievable plans.

17. GRB is now focused on three major customer segments and four distinct geographies:

The segments are Mass Consumer, Mass Affluent and Business Clients.

Mass Consumer is the Segment that you all know well.

Mass Affluent is our segment for customers with significant and investible assets or higher income. So for example in the UK, customers with more than £50,000 in assets or income above £75,000.

And our Business Clients segment is for companies, for example in the UK and Europe, with annual turnover of less than 5 million pounds or Euros.

18. Our Mass Consumer segment represents 94% of our customers and 75% of our income, so it's easily our biggest segment.

Mass Affluent accounts for 2% of customers and 6% of income and
Business Clients make up 4% of our customers and 19% of income.

19. As I said, GRB is also focussed on four geographies:

We serve 37 million customers in all, 21 million are in the UK and 16 million are overseas.

We're in 21 countries across four regions: the UK, US, Western Europe and Africa.

20. To serve these segments in these areas, GRB has four business units:

UK Retail Banking,
Barclaycard,
Western Europe Retail Banking,
and Barclays Africa.

21. As you'll know, the UK is our core market.

UK Retail Banking offers the full range of products and services to all three customer segments.

And Barclaycard UK offers consumer and commercial cards, partner finance and payment acceptance.

22. In the US, we focus on consumer credit cards and we have 6 million customers and counting.

23. In Western Europe, we serve nearly 3 million customers, but with different offerings:

In Italy, Portugal and Spain we have a full retail banking presence.

In France we focus on the Mass Affluent.

And in Germany and Scandinavia we have consumer credit card businesses

24. At Barclays Africa, we serve 7 million customers in 11 countries, including Absa Cards in South Africa and we cover corporate banking for all companies, irrespective of size.

So that's what we do.

25. What does each of these businesses generate? Well, you won't be surprised that UK Retail Banking was the largest contributor to GRB's pre tax profits in the first half of 2010, so let's look at those numbers.

Pre tax profits grew 61% to £504 million.

This includes a net gain of £85 million on the acquisition of Standard Life Bank and a £72 million net pension benefit.

Excluding these one-off items, profits in UK Retail Banking grew by 19%.

Income increased 1% as we continued to be impacted by margin compression.

Impairment charges reduced by 14% year on year, and by 12% relative to the second half of 2009, to £447 million.

There were two main reasons for this, continued improvements in unsecured lending and the quality of new business.

Net income, after impairment, grew 6% to £1.7 billion, and costs were flat at £1.3 billion.

26. Our second unit is Barclaycard, where income in the first half of 2010 was down 3% to £1.96 billion.

This reduction primarily reflects the impact of the US Credit Card Act, which had a significant effect on all US card issuers.

We've made adjustments to our business in order to mitigate the impact of this.

Impairment charges decreased by 3% year on year and were broadly flat on the second half of 2009.

Delinquency trends in our largest books, those for UK and US consumer cards have improved compared with the second half of 2009.

Operating Expenses grew by 6% because of an increase in staff costs and an investment in marketing, including the launch of Barclaycard Freedom.

Overall, profits decreased by 15% to £317 million.

27. Our third unit is the Western Europe Retail business.

In challenging market conditions, it delivered profits of £10 million in the first half of 2010.

This included a gain of £29 million from the acquisition of an Italian cards business from Citigroup.

Net Income decreased 12% because of the higher cost of deposits.

Impairment improved 10% year on year and better still by 30% since the second half of 2009.

Costs were up 12% to £495 million, largely because of the acquisition of two new credit card businesses in Italy and Portugal.

We also added 60 new distribution points as we continue to build scale in these markets.

28. Barclays Africa is our fourth geographical unit.

In short, profits here were up 8% to £70 million in the first half of 2010 driven by strong income growth of 10% and a 24% improvement in impairment.

Expenses over the same period grew 12% to £285 million as a result of increased investment in infrastructure and higher staff costs.

29. So, pulling all the numbers together, income in GRB in the first half was broadly stable at £5.1 billion, while profits increased 7% to £901 million.

30. Overall, I'd say that this was a good performance given the uncertainty and slow growth of most of the markets we're in.

31. I said I'd tell you what we do. That's done. Now I want to talk about our plans, particularly the vision and strategy we've developed for GRB.

32. It's very reassuring when having these plans to know that GRB is built on very strong foundations. We already have a diversified business and currently occupy leading market positions in many - but not all - of our countries. For example:

In the UK, we're number 3 in retail banking and credit cards.

In the US, we're in the top 10 for credit cards.

In Western Europe, we're strong in a number of places:

> We're the number 8 retail bank in Portugal, we're number 7 in Spain excluding mutuals, and we have smaller but still significant market shares in Italy and France.

And in Africa, we're ranked in the top 3 in 8 of our ten markets.

33. Across the board we're improving the customer experience by investing sensibly in our distribution channels, our products, and in technology.

34. For example, in the UK, and it's only taken 3 years, we have transformed 50% of our branches, and the balance are due for completion by the end of 2013.

35. In terms of innovative products, we've invested in making them simple and transparent – which is what customers tell us they want.

    An example, again from the UK, is that we've launched 'Personal Reserve' to address customer concerns about unauthorised overdraft charges. It gives customers an extra agreed amount they can use if they occasionally need to go overdrawn or exceed their agreed overdraft limit.

36. Our innovation is evident overseas too.

In Spain, for example, we've introduced the Cuenta Oportunidad account, which translates as 'Account Opportunity' and features a cash back option on direct debits for utility bills.

It's a very appealing product: More than 100,000 of these new accounts were opened last year making it our best selling product in Spain, so we are rolling out a similar account in Italy now as well.

37. We've also invested in leading edge technology.

One example is Barclays.mobi.

It offers internet banking via your mobile phone in the UK, and half a million customers have already visited our site.

Another example is Contactless payment. Several of you may already have one of these; they can also double as an Oyster Card, which is very handy.

We've issued 8 million contactless cards, allowing our customers to buy a coffee or a tube fare by simply tapping their card to pay. It's simple and it's transparent.

Products and technology are areas where we've already built a market leading position. But what effect do they have on the customer and our relationship with them?

38. Well, they help a great deal: Customer satisfaction in most of our markets is at least in line with our competitors or better.

For example, based on the National Customer Satisfaction Index, Barclays UK Retail Banking has moved to the top of the major banking groups.

Number One.

And a recent independent survey put us ahead of all our peers for trustworthiness. Again, number one.

39. Yes, these are strong foundations to build on.

And yes, we can see significant opportunities for our businesses over the next few years to do more, much more – and so build substantially on what we've already got.

40. But I think that there are also some important lessons to learn from the past few years, and we've taken these into account.

We've got to balance better the pace of investment and growth, with a focus on improved returns.

We need greater scale and depth in each market to be competitive and drive value, and we've got to enhance our customer capabilities to pull ahead, or stay ahead of the competition.

41. So we've set ourselves three challenging objectives for the coming years:

To create happy customers,

To deliver strong profit growth,

and to generate good returns.

42. Those are our three objectives. Now I'll talk about the exciting and challenging bit - how we're going to get there!

43. It's clear to me that simply delivering more of the same will not be enough.

Customers everywhere – not just in the UK – are looking for a simpler, more effective way to do business and a more transparent approach to banking and payments.

They want more control, and less complexity.

44. At the same time, rapid technological change is transforming the customer experience, and opening up new opportunities.

As delivery through internet and mobile banking increases, the role of the branch is being redefined from transactional to customer orientated.

45. I believe that we're at a fork in the road.

We can go on optimising what we currently do, or we can take advantage of these changes.

I'm confident that we're better placed than others to take advantage of the changes where we choose to, thanks to the strength of our brand, our scale, and our track record.

Over the next few years we want to do something very profound: to move from being a "me-too" bank to being the "go-to" bank.

46. How will we do that?

47. Most simply, by remembering what we're here to do.

By remembering - as I said earlier - that we're here to help our customers do the things they want to do – to buy food, book a holiday, start a business.

We're here to make their lives easier.

But we won't differentiate ourselves by making their lives a little bit easier.

Our starting point is to make our customers' lives MUCH easier.

48. This focus on the customer does benefit them, but it also benefits the shareholder.

There is good evidence for this.

For example, growth in new current accounts in our refurbished UK branches is on average double that of branches awaiting investment.

Another example is Barclaycard, where research has shown that highly satisfied customers on average increase their card use by over 8%.

49. We have three overarching priorities in delivering our goal of becoming the ‘go-to’ bank:

First, to deepen our impact with customers,

Second, to build greater scale in all our markets,

and third to drive higher performance across the organisation.

50. It’s worth our spending a moment developing each of these priorities, starting first with deepening the customer impact.

51. We’ll build on the capability we already have in the organisation and roll it out consistently across our business.

We already are the leading mobile phone bank in the UK. Our customers to do their banking when and where they want, using just their mobile phone.

With Mybarclaycard customers can easily analyse their spending on-line.

Both these examples address our customers’ desire to take control of their finances and our desire to deepen our impact with them. They’re doing their job.

But I’m very clear there’s more to do and we’ll continue to look for ways to make the customer experience better.

52. Our second priority is to achieve greater scale.

We need to achieve critical mass and be cost effective.

My clear conviction is that we need either to be a top five player in our chosen markets now, or at least see a path to becoming one over a reasonable time frame.

We're not aiming to be Top 5 in every country, for every customer segment or every product area.

Instead, we'll focus where we can compete best.

53. Our third priority is to drive higher performance.

We need an effective and flexible organisation to make that possible.

We're developing integrated platforms to improve efficiency.

We'll also continue to focus on quality of execution.

We've already shown we can do this at Barclaycard in the past few years.

We've also shown we can do this with the roll-out of faster mortgage processing in UK Retail.

And we've shown we can do this with the integration of the Citicards business in Western Europe or Standard Life Bank in the UK.

These transactions have all out-performed their business case and been delivered on time.

54. We'll deliver our vision through a set of integrated strategies across our four business units

55. First, in our Mass Consumer segment we're starting from a strong market position in the UK and Africa.

We'll focus on further deepening and strengthening our business and customer relationships through better delivery and enhanced channels.

This will help us retain existing customers as well as attract new ones.

56. Second is the Mass Affluent segment, where we currently have close to a million customers and a revenue pool of approximately £280 billion.

57. This segment looks especially attractive given the high growth expected, the returns it generates relative to Mass Consumers, and the greater balance towards liabilities that it offers.

58. But we're under-represented in Mass Affluent.

So we aim to grow disproportionately quickly in this segment, particularly in the UK and Western Europe, for example by drawing on our product and relationship management expertise from France and Italy.

59. The third segment is Business Clients, where we also have about a million customers.

This segment has a revenue pool of £144 billion.

60. It has high growth rates and the income per customer is significantly higher than that of Mass Consumers.

61. We see three immediate opportunities here:

First to expand business to business payments in Barclaycard; second to share our expertise across markets, especially with Western Europe and Africa; and third to leverage contacts from Barclays Corporate and Absa.

62. On top of our scope for growth in our three segments, we also see a major opportunity that cuts across both our market and customer focus.

That opportunity is in delivering the next generation of payment products.

Technological change is opening up new ways to make payments, and customers' expectations are shifting in a world where everything is instant.

Barclaycard is driving our agenda with market-leading innovation to deliver mobile and digital payments, which is completely transforming the customer experience.

It's helping customers to achieve their goals.

63. Finally, we have an opportunity - which we can and will grasp – to work together across GRB and across Barclays as a whole.

There are already many links, for example between Premier in the UK and Barclays Wealth for private banking, and between Barclays Egypt and Barclays Capital for risk management products.

Our new organisation means we're much better aligned and focused to maximise these opportunities.

64. So as I stand back, what I see is that we have critical mass in many of our markets, but that we can also take this mass to new levels.

We have opportunities to grow our customer base and deepen relationships.

We have a powerful brand.

We have transferable capabilities – a good example is risk management.

We have a reputation for innovation.

And we have a strong track record of delivery.

65. At our recent GRB Investor Seminar we set out our financial objectives. I'll give them to you now:

66. We have a strong focus on returns.

We believe the strength of our franchise will enable GRB to deliver on its goals.

We're targeting a return on equity of 13-15% and a return on tangible equity of about 20%.

This will be achieved by focusing on portfolio optimisation, allocating capital appropriately between businesses and portfolios able to meet this target,

and imposing a minimum life time hurdle rate on new business of at least 1.5% return on risk weighted assets post tax.

66. Several products, for example new UK mortgages currently generate substantially in excess of this hurdle.

As a result we've diverted additional capital to this product this year.

67. Sound portfolio optimisation will also ensure that our business growth is paced to generate attributable profit in excess of our capital consumption.

68. In terms of our financial priorities, we're focusing on four areas:

First, profit growth. We expect strong compound annual profit growth over the period 2010 to 2013.

Second, an improved loan to deposit ratio. We expect customer liability growth to exceed asset growth over the same period.

Third, depth not breadth. We expect to increase the proportion of international income by deepening our presence in our existing markets.

And last, generation of net equity. We expect to make a positive contribution to net equity, targeting the returns I just mentioned.

69. Our plans are based on organic growth, though we'll consider "in-fill" deals – like Standard Life Bank or the Citibank card portfolios - if they meet our strict financial hurdles.

We'll also look at more significant opportunities in our existing markets but only if – and it's a very big "if" – they meet our three group criteria of supporting scale, generating attractive returns and enhancing liquidity.

70. And I want to be clear that our ambitions are not purely financial.

The environment demands - and we intend to deliver - an improved performance for all our stakeholders.

We want increased customer satisfaction and real engagement from our people across GRB, with top quality talent driving the strategy we're outlining today.

All this will be in the context both of strong relationships with regulators and of responsible banking, serving the communities in which we operate.

71. So, in conclusion, we're well placed to deliver on the significant opportunities we see.

Not just in our markets, customer segments and product lines, but by capitalising on the strong capabilities we have both within GRB and across the Barclays group.

72. And we have a clear direction for GRB.

We have a shared vision - to make customers' lives much easier.

And we have an experienced management team with a strong record of delivery to help us get to that shared vision.

73. To end, I want to comment on our announcement last week that John Varley will step down as Group Chief Executive on 31st March next year and be succeeded by Bob Diamond.

John's commitment to Barclays, our customers, our clients and our colleagues has been outstanding.

Under his leadership, we have navigated through the economic turbulence successfully and have emerged a stronger bank as a consequence.

Bob will be an outstanding successor to John. His track record in building Barclays Capital, Barclays Global Investors and Barclays Wealth speaks for itself.

As you know, Bob has worked closely with John for many years and his appointment ensures continuity of our strategy and in our focus on delivering for customers, clients and shareholders.

I have no doubt the transition will be seamless as we continue to accelerate the delivery of our vision for Global Retail Banking and I look forward to working with John and Bob in making this vision a reality.

74. Thank you for your time. I'll now happily take any questions.